

Untie the Shoe Tax!

Congressman Kevin Brady (R-The Woodlands) is spearheading an initiative in Congress that would remove out-dated tariffs on low-cost footwear, worth nearly \$800 million a year. These tariffs are taxes ultimately paid for by American families.

Why is there a “shoe tax”?

- The shoe tax is a regressive set of tariffs applied to imports of footwear, meaning that the most expensive shoes receive lower tariffs while cheaper shoes receive higher tariffs. This system was implemented in the 1930s to protect domestic producers from overseas competition. At the time, Members of Congress believed that raising tariffs would help U.S. manufacturing compete; instead we learned that it had the opposite effect – high tariffs led our economy into a deeper depression.
- While the United States has embraced the principle of free trade over the last half-century, lowering tariffs on all imports – the average applied tariff rate is now around 1.4% - footwear is one sector that remains heavily taxed. In fact, the U.S. treasury collects more duties from footwear than any other single import.

What are the costs and who does it affect?

- Tariffs on footwear imports can range as high as 67.5% - costs that are ultimately passed along to U.S. consumers. And because the shoe taxes are regressive, moms and dads end up footing more of the bill when purchasing lower-cost shoes for their children, than a woman treating herself to an expensive designer sandal or a man buying wing-tips.
- For example, if a mom needs to buy a dress shoe for her daughter, she can expect to pay over 30% of the cost of the shoe in these hidden, regressive taxes. And this is before any state or local sales taxes, too. For a casual canvas slip-on shoe, she'll pay 27.3% in taxes. The Progressive Policy Institute has estimated that a single mom that spends \$410 on shoes each year could save between \$80-100 if these duties were eliminated.
- These tariffs, however, are no longer serving their intended purpose – to protect domestic manufacturing. Unlike during the first part of the 20th century, there is very little domestic production of footwear left in the United States. Ninety-nine percent of the shoes sold in the U.S. today are imported from other countries. Of the production that does remain, manufacturers are typically very specialized.
- Mr. Brady's legislation, the *Affordable Footwear Initiative*, focuses on lower-cost footwear imports, and does not affect the tariffs on shoes that are still being produced in the United States.

